

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <i>Village of Danville</i>	County <i>Ingham</i>
Audit Date <i>February 29, 2004</i>	Opinion Date <i>March 25, 2004</i>	Date Accountant Report Submitted to State: <i>July 21, 2004</i>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) <i>Layton & Richardson P.C.</i>			
Street Address <i>1000 Coolidge Road</i>	City <i>East Lansing</i>	State <i>MI</i>	ZIP <i>48823</i>
Accountant Signature <i>Dickie L. Crouch</i>			

VILLAGE OF DANSVILLE, MICHIGAN
VILLAGE BOARD

Carole Colburn	President
Cheri Foster	Clerk
Karen Connor	Treasurer
Lyle Foster	Trustee
Vicki Butler	Trustee
Lori Holeman	Trustee
Darrell Braman	Trustee
Jason Wing	Trustee
Jeff Ruest	Trustee

CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	1
GENERAL PURPOSE FINANCIAL STATEMENTS	
Description	3
Combined Balance Sheet - Fund Types and Account Groups	4-5
Combined Statement of Revenues, Expenditures and Changes in Fund Balance - All Governmental Funds	7
Combined Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	8-9
Combined Statement of Revenues, Expenses and Changes in Retained Earnings - All Proprietary Funds	10
Combined Statement of Cash Flows - All Proprietary Funds	11
COMPONENT UNIT	
Description	13
Balance Sheet	14
Combined Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	15
Notes to Financial Statements	17-23
SUPPLEMENTARY FINANCIAL INFORMATION	
GENERAL FUND	
Description	25
Balance Sheet	26
Statement of Revenues, Expenditures And Changes in Fund Balance	27-28
SPECIAL REVENUE FUNDS	
Description	29
Combining Balance Sheet	30
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	31
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	
Major Street Fund	32
Local Street Fund	33
ENTERPRISE FUNDS	
Description	35
Combining Balance Sheet	36
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	37
Combined Statement of Cash Flows	38

CONTENTS - Concluded

	PAGE
FIDUCIARY FUND	
Description	39
Balance Sheet	40
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	41
Combined Statement of Cash Flows	42
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENTAL AUDITING STANDARDS	43
LETTER OF COMMENTS AND RECOMMENDATIONS	45-46



Layton & Richardson, P.C.

Certified Public Accountants

1000 Coolidge Road
East Lansing, MI 48823

(517) 332-1900
(517) 332-2082 fax
Info@LNRCPA.com

David Layton, CPA
Principal
DaveLayton@LNRCPA.com

Merrick A. Richardson, CPA
Principal
Rick@LNRCPA.com

Vickie L. Crouch, CPA, CGFM
Principal
Vickie@LNRCPA.com

Stephen D. Plumb, JD, CPA
Principal
Steve@LNRCPA.com

Marjorie L. Bucklin, CPA
Manager
Margie@LNRCPA.com

Brenda L. Seelman, CPA
Manager
Brenda@LNRCPA.com

Annette B. Layton
Office Manager
Ann@LNRCPA.com

INDEPENDENT AUDITORS' REPORT

Village Council
Village of Dansville
Dansville, Michigan

We have audited the accompanying general purpose financial statements of the VILLAGE OF DANSVILLE, MICHIGAN, as of and for the year ended February 29, 2004, as listed in the table of contents. These general purpose financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Village of Dansville, Michigan, at February 29, 2004, and the results of its operations and cash flows of its proprietary fund types and nonexpendable trust fund types for the year then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 25, 2004 on our consideration of the Village of Dansville, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was made for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The combining and individual fund and account group financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Village of Dansville, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

Layton + Richardson PC

Certified Public Accountants

East Lansing, Michigan
March 25, 2004

COMBINED STATEMENTS - OVERVIEW

The Combined Statements provide a summary overview of the financial position of all funds and account groups and of the operating results of all funds. They also serve as an introduction to the more detailed statements and schedules that follow.

VILLAGE OF DANSVILLE, MICHIGAN
COMBINED BALANCE SHEET
FUND TYPES AND ACCOUNT GROUPS
FEBRUARY 29, 2004

	<u>GOVERNMENTAL FUND TYPES</u>		<u>PROPRIETARY FUND TYPES</u>
	GENERAL	SPECIAL REVENUE	ENTERPRISE
ASSETS			
Cash in bank	\$ 20,279	\$ 10,293	\$ 36,824
Due from state of Michigan	6,694		
Real estate			
Restricted assets			
Cash and investments			56,307
Fixed assets (net of accumulated depreciation)			546,170
TOTAL ASSETS	<u>\$ 26,973</u>	<u>\$ 10,293</u>	<u>\$ 639,301</u>
LIABILITIES			
Notes payable	\$	\$	\$
Payable from restricted assets			
Contracts payable			51,633
TOTAL LIABILITIES			<u>51,633</u>
FUND EQUITY			
Contributed capital			478,627
Investment in general fixed assets			
Retained earnings			109,041
Fund balance	26,973	10,293	
TOTAL FUND EQUITY	<u>26,973</u>	<u>10,293</u>	<u>587,668</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 26,973</u>	<u>\$ 10,293</u>	<u>\$ 639,301</u>

See accompanying notes to financial statements.

<u>FIDUCIARY FUND TYPES</u>	<u>ACCOUNT GROUPS</u>	<u>TOTALS (MEMORANDUM ONLY)</u>		<u>TOTALS (MEMORANDUM ONLY)</u>
CEMETARY PERPETUAL CARE	GENERAL FIXED ASSETS	PRIMARY GOVERNMENT	COMPONENT UNIT	TOTAL
\$ 7,077	\$	\$ 74,473 6,694	\$ 252,241 356,535	\$ 326,714 6,694 356,535
		56,307		56,307
	57,302	603,472		603,472
\$ <u>7,077</u>	\$ <u>57,302</u>	\$ <u>740,946</u>	\$ <u>608,776</u>	\$ <u>1,349,722</u>
\$	\$	\$	\$ 120,000	\$ 120,000
		51,633		51,633
		51,633	120,000	171,633
		478,627		478,627
	57,302	57,302		57,302
7,077		109,041		109,041
		44,343	488,776	533,119
<u>7,077</u>	<u>57,302</u>	<u>689,313</u>	<u>488,776</u>	<u>1,178,089</u>
\$ <u>7,077</u>	\$ <u>57,302</u>	\$ <u>740,946</u>	\$ <u>608,776</u>	\$ <u>1,349,722</u>

VILLAGE OF DANSVILLE, MICHIGAN
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - ALL GOVERNMENTAL FUNDS
FOR THE YEAR ENDED FEBRUARY 29, 2004

	GENERAL	SPECIAL REVENUE	TOTAL
REVENUES			
Property taxes	\$ 17,816	\$ 4,894	\$ 22,710
Licenses and permits	5,130		5,130
State grants	40,765	32,400	73,165
Charges for services	29,928		29,928
Miscellaneous	2,638	30	2,668
TOTAL REVENUES	<u>96,277</u>	<u>37,324</u>	<u>133,601</u>
EXPENDITURES			
Legislative	1,650		1,650
General services	67,850		67,850
Public safety	4,728		4,728
Public works	35,125	32,358	67,483
Culture and recreation	7,694		7,694
TOTAL EXPENDITURES	<u>117,047</u>	<u>32,358</u>	<u>149,405</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(20,770)</u>	<u>4,966</u>	<u>(15,804)</u>
OTHER FINANCING SOURCES (USES)			
Transfer in	20,174		20,174
Transfer to sewer fund		(1,330)	(1,330)
TOTAL OTHER FINANCING SOURCES (USES)	<u>20,174</u>	<u>(1,330)</u>	<u>18,844</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER USES	<u>(596)</u>	<u>3,636</u>	<u>3,040</u>
FUND BALANCE, MARCH 1	<u>27,569</u>	<u>6,657</u>	<u>34,226</u>
FUND BALANCE, FEBRUARY 29	<u>\$ 26,973</u>	<u>\$ 10,293</u>	<u>\$ 37,266</u>

See accompanying notes to financial statements.

VILLAGE OF DANSVILLE, MICHIGAN
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED FEBRUARY 29, 2004

	GENERAL FUND		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES			
Property taxes	\$ 9,000	\$ 17,816	\$ 8,816
Licenses and permits	9,565	5,130	(4,435)
State grants	37,790	40,765	2,975
Charges for services	19,500	29,928	10,428
Miscellaneous	11,700	2,638	(9,062)
TOTAL REVENUES	87,555	96,277	8,722
EXPENDITURES			
Legislative	3,240	1,650	1,590
General services	68,371	67,850	521
Public safety	4,850	4,728	122
Public works	37,539	35,125	2,414
Culture and recreation	4,900	7,694	(2,794)
TOTAL EXPENDITURES	118,900	117,047	1,853
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(31,345)	(20,770)	10,575
OTHER FINANCING SOURCES (USES)			
Transfer in		20,174	20,174
Transfer out			
TOTAL OTHER FINANCING SOURCES (USES)		20,174	20,174
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER USES	(31,345)	(596)	30,749
FUND BALANCE, MARCH 1	27,569	27,569	
FUND BALANCE, FEBRUARY 29	\$ (3,776)	\$ 26,973	\$ 30,749

See accompanying notes to financial statements.

SPECIAL REVENUE FUND

BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
\$ 15,000	\$ 4,894	\$ (10,106)
31,000	32,400	1,400
<u>46,000</u>	<u>30</u> <u>37,324</u>	<u>30</u> <u>(8,676)</u>
46,159	32,358	13,801
<u>46,159</u>	<u>32,358</u>	<u>13,801</u>
<u>(159)</u>	<u>4,966</u>	<u>5,125</u>
	<u>(1,330)</u>	<u>(1,330)</u>
	<u>(1,330)</u>	<u>(1,330)</u>
(159)	3,636	3,795
<u>6,657</u>	<u>6,657</u>	
\$ <u><u>6,498</u></u>	\$ <u><u>10,293</u></u>	\$ <u><u>3,795</u></u>

VILLAGE OF DANSVILLE, MICHIGAN
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN RETAINED EARNINGS - ALL PROPRIETARY FUNDS AND NONEXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED FEBRUARY 29, 2004

	PROPRIETARY FUNDS	FIDUCIARY FUNDS NON EXPENDABLE TRUST	TOTALS MEMORANDUM ONLY
	ENTERPRISE		
OPERATING REVENUES			
Charges for services	\$ 70,430	\$ 1,001	\$ 71,431
Rent	30,000		30,000
Interest	3,316	203	3,519
	<u>103,746</u>	<u>1,204</u>	<u>104,950</u>
TOTAL OPERATING REVENUES			
OPERATING EXPENSES			
Salaries and fringe benefits	23,660		23,660
Supplies	13,212		13,212
Contracted services	33,173		33,173
Utilities	9,895		9,895
Rentals	12,000		12,000
	<u>91,940</u>	<u></u>	<u>91,940</u>
TOTAL OPERATING EXPENSES			
NET OPERATING INCOME	<u>11,806</u>	<u>1,204</u>	<u>13,010</u>
NONOPERATING REVENUES (EXPENSES)			
Contribution from Downtown Development	17,475		17,475
Transfer out	(571)	(10,174)	(10,745)
Interest on long-term debt	(6,362)		(6,362)
Depreciation	(38,530)		(38,530)
	<u>(27,988)</u>	<u>(10,174)</u>	<u>(38,162)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)			
DECREASE IN RETAINED EARNINGS	(16,182)	(8,970)	(25,152)
RETAINED EARNINGS, MARCH 1	<u>125,223</u>	<u>16,047</u>	<u>141,270</u>
RETAINED EARNINGS, FEBRUARY 29	<u>\$ 109,041</u>	<u>\$ 7,077</u>	<u>\$ 116,118</u>

See accompanying notes to financial statements.

VILLAGE OF DANSVILLE, MICHIGAN
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUNDS AND NONEXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED FEBRUARY 29, 2004

	<u>PROPRIETARY FUNDS</u>	<u>FIDUCIARY FUNDS</u>	TOTALS
	ENTERPRISE	NON EXPENDABLE TRUST	MEMORANDUM ONLY
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss	\$ (16,182)	\$ (8,970)	\$ (25,152)
Adjustments to reconcile net loss to net cash provided by operating activities			
Depreciation	<u>38,530</u>	<u> </u>	<u>38,530</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>22,348</u>	<u>(8,970)</u>	<u>13,378</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in debt service cash	<u>(3,255)</u>	<u> </u>	<u>(3,255)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Payment for capital acquisitions	(2,938)		(2,938)
Principal payments	<u>(17,413)</u>	<u> </u>	<u>(17,413)</u>
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(20,351)</u>	<u> </u>	<u>(20,351)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,258)	(8,970)	(10,228)
CASH AND CASH EQUIVALENTS, MARCH 1	<u>38,082</u>	<u>16,047</u>	<u>54,129</u>
CASH AND CASH EQUIVALENTS, FEBRUARY 29	<u>\$ 36,824</u>	<u>\$ 7,077</u>	<u>\$ 43,901</u>

See accompanying notes to financial statements.

COMPONENT UNIT

A Component Unit is an organization for which the primary government is financially accountable, and the nature of their relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The Component Units is the Downtown Development Authority.

VILLAGE OF DANSVILLE, MICHIGAN
BALANCE SHEET
COMPONENT UNIT - DOWNTOWN DEVELOPMENT AUTHORITY
FEBRUARY 29, 2004

ASSETS	
Cash in bank	\$ 252,241
Real estate	<u>356,535</u>
TOTAL ASSETS	<u>\$ 608,776</u>
LIABILITIES	
Notes payables	<u>\$ 120,000</u>
FUND BALANCE	<u>488,776</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 608,776</u>

See accompanying notes to financial statements.

VILLAGE OF DANSVILLE, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
COMPONENT UNIT - DOWNTOWN DEVELOPMENT AUTHORITY
FOR THE YEAR ENDED FEBRUARY 29, 2004

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES			
Property taxes	\$ 216,000	\$ 216,532	\$ 532
Interest earned	400	522	122
Rent	11,500	9,701	(1,799)
Other	40,000		(40,000)
TOTAL REVENUES	<u>267,900</u>	<u>226,755</u>	<u>(41,145)</u>
EXPENDITURES			
Development and cost of sales	211,000	24,007	186,993
Salaries	6,000	2,000	4,000
Contracted services		1,549	(1,549)
Attorney	5,700	6,074	(374)
Accounting	4,000	1,000	3,000
Property maintenance and utilities	16,300	2,322	13,978
Insurance	1,250	3,000	(1,750)
Supplies	825	6	819
Taxes	3,000	2,332	668
Interest		4,207	(4,207)
Utilities	5,000	5,622	(622)
Marketing and promotions	1,000	4,664	(3,664)
TOTAL EXPENDITURES	<u>254,075</u>	<u>56,783</u>	<u>197,292</u>
EXCESS OF REVENUES OVER EXPENDITURES	13,825	169,972	156,147
OTHER FINANCING USES			
Transfer out	<u>(25,000)</u>	<u>(25,575)</u>	<u>(575)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES	(11,175)	144,397	155,572
FUND BALANCE, MARCH 1	<u>344,379</u>	<u>344,379</u>	
FUND BALANCE, FEBRUARY 29	<u>\$ 333,204</u>	<u>\$ 488,776</u>	<u>\$ 155,572</u>

See accompanying notes to financial statements.

VILLAGE OF DANSVILLE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 29, 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Dansville is located in Ingham County, Michigan and operates under an elected village council. The Village provides general government operations including water service and sewage disposal services.

The accounting policies of the Village of Dansville conform to U.S. generally accepted accounting principles as applicable to governmental units. The following is a summary of the more significant policies:

A. The Reporting Entity

As required by U.S. generally accepted accounting principals, the financial statements of the entity include those of the Village of Dansville (the primary government) and its component unit. The component unit described below is included in the Village's reporting entity using the discrete presentation method because of the significance of their operational or financial relationship with the Village.

The component unit column in the combined financial statement includes the financial data of the Village's component. This unit is reported in a separate column to emphasize that it is legally separate from the Village.

The financial statements of the component unit are available at Village Hall.

The Downtown Development Authority

In accordance with the criteria established by the National Council on Governmental Accounting (NCGA) Statement 3, the Downtown Development Authority is considered a component unit of the Village of Dansville, Michigan for financial accounting and reporting purposes. These criteria include: the extent of oversight responsibility, selection of governing authority, designation of management, the ability of the Village to significantly influence operations, the accountability for fiscal matters including the level of Village financing and/or moral and legal responsibility for long-term debt.

The financial statements of the Downtown Development Authority of the Village of Dansville, Michigan are presented as the financial statements of a fund which is an integral part of the financial reporting oversight unit of the Village of Dansville, Michigan.

B. Accounting Structure

The accounts of the Village are organized on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The operation of each fund is accounted for by providing a separate set of self-balancing accounts, which comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses. The following funds and account groups are used to account for the activities of the Village:

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

GOVERNMENTAL FUND TYPES

General Fund

This fund is used to account for all financial resources except those required to be accounted for in another fund. Revenues of this fund are primarily derived from general property taxes, fees for services, interest and state and federal distributions.

Special Revenue Funds

These funds are used to account for the proceeds of specific revenue sources (other than special assessment, expendable trust or major capital projects) requiring separate accounting.

PROPRIETARY FUND TYPES

Enterprise Funds

These funds are used to account for operations that are financed primarily by user charges.

FIDUCIARY FUND TYPES

Trust and Agency Funds

Trust and Agency Funds are used to account for assets held by the Village in a trustee capacity or as an agent for individuals, other governments and/or other funds. These include Expendable Trust and Agency Funds. Expendable Trusts are accounted for in essentially the same manner as governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

ACCOUNT GROUP

General Fixed Assets Account Group

This account group is used to record the fixed assets of the local unit utilized in its general operations (nonproprietary fixed assets).

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Regardless of the measurement focus applied, basis of accounting relates to the timing of the measurements made.

All Governmental Funds and Expendable Trust Funds are accounted for using a current financial resources measurement focus. Only current assets and liabilities are generally included on the balance sheet. Operating statements for these funds present increases (i.e. revenues and other financing sources) and decreases (i.e. expenditures and other financing uses) in net current assets. The modified accrual basis of accounting is used for all Governmental Funds, Expendable Trust Funds and Agency Funds. Their revenues are recognized when they become measurable and available as net current assets.

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

C. Basis of Accounting - Concluded

“Measurable” means the amount of the transaction can be determined. “Available” is defined as being collectable within the current period or soon enough thereafter to be used to pay liabilities of the current period. Significant revenues susceptible to accrual include property taxes, interest earnings, reimbursement-type grants, and reimbursements for use of materials or services. Property tax revenues are recognized when they are levied.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include accumulated unpaid sick pay and principal and interest on general long-term debt which is recognized when due.

All Proprietary Funds and Nonexpendable Trusts are accounted for on flow of economic resources measurement focus. All assets and liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e. net total assets) is segregated into contributed capital and retained earnings components.

Operating statements present increases (i.e. revenues) and decreases (i.e. expenses) in net total assets. The accrual basis of accounting is used for all Proprietary Funds and Nonexpendable Trust. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred. Unbilled Waste, Wastewater and Solid Waste Utility receivables are recorded at year-end. In accordance with GASB Statement Number 20, the Proprietary Funds have applied all applicable GASB pronouncements as well as all Financial Accounting Standards Board Statements and Interpretations issued unless the FASB pronouncements conflict or contradict GASB pronouncements.

The Agency Funds are custodial in nature and do not present results of operations or have a measurement focus. Agency Funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the government holds for others in an agency capacity.

D. Budgetary Accounting Controls

The General and certain Special Revenue funds are subject to cash basis budgetary control. Formal budgets are adopted (as required by law) and budgetary transfers, additional appropriations from additional revenues received or from unexpended funds appropriated but not spent in prior years, etc., are made as and when required. Under the Village's budget procedures, amounts appropriated by functional classification as revenue and expenditures of the General fund include interfund transfers. Since such transfers represent internal transactions within the Village government, they are reported separately in the financial statements of the various funds. Budgets lapse at the end of the fiscal year.

E. Receivables

Receivables have been recognized for all significant amounts due the Village. No allowances have been made for non-collectable accounts because most delinquent receivables can be added to the tax roll if they remain unpaid and become a lien against the property.

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

F. Cash and Cash Equivalents

For purposes of the statements of cash flows, the proprietary and fiduciary funds consider all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

G. Fixed Assets and Long-Term Liabilities

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems are not capitalized along with other general fixed assets as these assets are immovable and of value only to governments. General fixed assets are not depreciated.

All fixed assets acquired for proprietary funds are capitalized in the respective funds to which they apply.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are recorded at their estimated fair market value on the date of donation.

The General Fixed Assets Account Group is not a "fund." The Group only measures financial position. The Group does not measure the results of operations.

Depreciation of all exhaustible fixed assets used by Proprietary Funds is charged as an expense against their operations. Accumulated depreciation is reported on Proprietary Fund balance sheets. The straight-line depreciation method is applied over the estimated useful life of fixed assets held by Proprietary Funds.

H. Property Tax Revenue

Properties are assessed as of December 31, and the related taxes become a lien on July 1 of the following year. These taxes are due on August 31, with a final collection date of February 28 before they are returned to the County as delinquent.

I. Total Columns on the Combined Statements - Overview

The total columns on the Combined Statements - Overview is captioned "Memorandum Only," to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position, results of operations, or cash flows in conformity with U.S. generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

J. Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2: **EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS**

P.A. 621 of 1978, section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Village's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Village for these budgetary funds were adopted to the activity level.

During the year ended February 29, 2004 the Village did incur expenditures in certain budgetary funds that were in excess of the amounts appropriated.

	BUDGET	ACTUAL	VARIANCE
General Fund			
Parks and recreation	\$ <u>4,900</u>	\$ <u>7,694</u>	\$ (<u>2,794</u>)

NOTE 3: **LAND, BUILDINGS AND EQUIPMENT**

A summary of the changes in general fixed assets is as follows:

	BALANCE MARCH 1, 2003	ADJUSTMENTS AND ADDITIONS	DELETIONS	BALANCE FEBRUARY 29, 2004
Buildings	\$ 50,000	\$	\$	\$ 50,000
Machinery and equipment	<u>7,302</u>	<u></u>	<u></u>	<u>7,302</u>
TOTAL	\$ <u>57,302</u>	\$ <u></u>	\$ <u></u>	\$ <u>57,302</u>

A summary of proprietary fund type land, buildings and equipment at February 29, 2004 is as follows:

	WATER FUND	SEWER FUND	EQUIPMENT	DEPRECIABLE LIFE
Sewage treatment plant and water tower	\$	\$ 927,676	\$	30-37 years
Wells	114,781			33-40 years
Vehicles and equipment	<u></u>	<u></u>	<u>85,803</u>	2-10 years
TOTAL LAND, BUILDING AND EQUIPMENT	114,781	927,676	85,803	
Less: accumulated depreciation	<u>9,191</u>	<u>498,260</u>	<u>68,900</u>	
NET BOOK VALUE	\$ <u>105,590</u>	\$ <u>429,416</u>	\$ <u>16,903</u>	

Depreciation expense for the year ended February 29, 2004 was \$38,660.

NOTE 4: LONG-TERM OBLIGATIONS

The annual requirements to amortize long-term debt outstanding as of February 29, 2004, including interest of \$5,700 are as follows:

YEAR ENDING FEBRUARY 28,	GENERAL OBLIGATION
2004	\$ <u>120,000</u>

NOTE 5: OPERATING TRANSFERS

The operating transfers between funds are as follows:

FUND	TRANSFER IN	FUND	TRANSFER OUT
General	\$ 20,174	DDA	\$ 25,575
Sewer	17,475	Major Street	668
		Local Street	662
		Sewer	570
		Cemetery Perpetual Care	<u>10,174</u>
	<u>\$ 37,649</u>		<u>\$ 37,649</u>

NOTE 6: FHA CONTRACT PAYABLE – SEWER FUND

Obligation of the Village Sewer Fund and payments have been made by DDA.

FISCAL YEAR	RATE	INTEREST JULY 1	INTEREST JANUARY 1	PRINCIPAL JANUARY 1	TOTAL
2004-05	9.125%	\$ 2,190	\$ 2,190	\$ 12,000	\$ 16,380
2005-06	9.125	1,643	1,643	13,000	16,286
2006-07	9.125	1,049	1,049	13,000	15,098
2007-08	9.125	<u>456</u>	<u>456</u>	<u>10,000</u>	<u>10,912</u>
		<u>\$ 5,338</u>	<u>\$ 5,338</u>	<u>\$ 48,000</u>	<u>\$ 58,676</u>

NOTE 7: CASH AND INVESTMENTS

The captions on the combined balance sheet relating to cash and investments are as follows:

Cash and cash equivalents	\$ 326,715
Restricted cash	<u>56,307</u>
TOTAL	<u>\$ 383,022</u>

A summary by type are:

Deposits	
Cash in demand accounts	<u>\$ 383,022</u>

NOTE 7: **CASH AND INVESTMENTS - Concluded**

Deposits. At year-end, the banks were carrying a cash balance of \$384,209. These deposit classifications are covered by Federal Depository Insurance as follows:

Non-debt deposits were insured up to \$100,000, leaving a balance of \$284,209 uninsured.

Investments. Act 196, P.A. 1997, authorizes the Village to deposit and invest in the following:

- (a) Bonds, securities and other direct obligations of the United States or its agencies.
- (b) Certificates of deposit, savings accounts, deposit accounts, or depository receipts of federally insured banks, insured savings and loan associations or credit unions insured by the national credit union administration that are eligible to be depository of surplus money belonging to the State under section 5 or 6 of Act 105, P.A. 1855, as amended (MCL 21.145 and 21.146).
- (c) Commercial paper rated at time of purchase within the two highest classifications established by not less than two standard rating services. Maturity cannot be more than 270 days after the date of purchase.
- (d) Repurchase agreements consisting of instruments listed in subdivision (a).
- (e) Bankers' acceptance of United States banks.
- (f) Obligation of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- (g) Investment pools organized under the local government investment pool act.

Investments of the Village are in accordance with statutory authority.

There are three levels of risk by which investments are classified. Category 1 includes investments that are insured or registered or for which the securities are held by the Village or its agent in the Village's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the Village's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the Village's name. There are \$0 in investments classified under Category 2 and \$0 in pooled investment funds which cannot be classified.

The Village has not adopted a formal investment policy, as required by Act 20, P.A. 1943 as amended, that complies with State law.

NOTE 8: **CONTRACT PAYABLE**

Equipment Contracts Payable

Bank loan for equipment fund purchase.

Payments of \$505.94 including interest
due the 14th of each month. Interest is
6.94% per annum.

\$ 3,633

GENERAL FUND

The General Fund exists to account for the resources devoted to finance the services traditionally associated with local government. Any other activity for which a special fund has not been created is accounted for in the General Fund.

VILLAGE OF DANSVILLE, MICHIGAN

BALANCE SHEET

GENERAL FUND

FEBRUARY 29, 2004

ASSETS

Cash in bank

\$ 20,279

Due from state of Michigan

6,694

TOTAL ASSETS

\$ 26,973

FUND BALANCE

\$ 26,973

VILLAGE OF DANSVILLE, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED FEBRUARY 29, 2004
GENERAL FUND

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES			
Property taxes	\$ 9,000	\$ 17,816	\$ 8,816
Licenses and permits			
Non-business licenses	9,565	5,130	(4,435)
State grants			
State revenue sharing	37,000	39,922	2,922
Liquor licenses	790	843	53
Total state grants	37,790	40,765	2,975
Charges for services			
Refuse collection	19,500	19,822	322
Cemetery lot sales		602	602
Cemetery foundations		1,441	1,441
Cemetery open - close		2,695	2,695
Cemetery - miscellaneous		5,368	5,368
Total charges for services	19,500	29,928	10,428
Miscellaneous			
Interest		52	52
Cable franchise	980	985	5
Park donations		50	50
Refunds and rebates		1,551	1,551
DDA for public works	10,720		(10,720)
Total miscellaneous	11,700	2,638	(9,062)
TOTAL REVENUES	87,555	96,277	8,722
EXPENDITURES			
Legislative			
Village council	3,240	1,650	1,590
General government			
Village president	1,750	1,200	550
Elections	700	451	249
Legal	3,000	2,266	734
Clerk	4,766	3,672	1,094
Treasurer	3,420	2,610	810
Village hall and grounds	5,800	7,113	(1,313)
Village property	2,400	6,114	(3,714)
Cemetery	13,135	17,068	(3,933)
Unallocated	33,400	27,356	6,044
Total general government	68,371	67,850	521

VILLAGE OF DANSVILLE, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - Concluded
FOR THE YEAR ENDED FEBRUARY 29, 2004
GENERAL FUND

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
EXPENDITURES - Concluded			
Public safety			
Building inspection	\$ <u>4,850</u>	\$ <u>4,728</u>	\$ <u>122</u>
Public works			
Street lighting	6,400	8,952	(2,552)
Streets	4,500	4,500	
Department of public works	8,852	6,852	2,000
Garbage collection	<u>17,787</u>	<u>14,821</u>	<u>2,966</u>
Total public works	<u>37,539</u>	<u>35,125</u>	<u>2,414</u>
Culture and recreation			
Parks and recreation	<u>4,900</u>	<u>7,694</u>	<u>(2,794)</u>
TOTAL EXPENDITURES	<u>118,900</u>	<u>117,047</u>	<u>1,853</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(31,345)</u>	<u>(20,770)</u>	<u>10,575</u>
OTHER FINANCING SOURCES			
Transfer in	<u> </u>	<u>20,174</u>	<u>20,174</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	(31,345)	(596)	30,749
FUND BALANCE, MARCH 1	<u>27,569</u>	<u>27,569</u>	
FUND BALANCE, FEBRUARY 29	\$ <u><u>(3,776)</u></u>	\$ <u><u>26,973</u></u>	\$ <u><u>30,749</u></u>

SPECIAL REVENUE FUNDS

A Special Revenue Fund is used to finance particular activities and is created out of receipts of specific taxes or other earmarked revenues. Such funds are authorized by statutory or charter provisions to pay for certain activities with some special form of continuing revenues.

Special Revenue Funds in the Village are Major Streets and Local Streets.

VILLAGE OF DANSVILLE, MICHIGAN
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
FEBRUARY 29, 2004

	MAJOR STREET	LOCAL STREET	TOTAL
ASSETS			
Cash in bank	\$ <u>8,529</u>	\$ <u>1,764</u>	\$ <u>10,293</u>
FUND BALANCE	\$ <u>8,529</u>	\$ <u>1,764</u>	\$ <u>10,293</u>

VILLAGE OF DANSVILLE, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED FEBRUARY 29, 2004

	MAJOR STREET	LOCAL STREET	TOTAL
REVENUES			
Property taxes	\$	\$	\$
State revenue	22,725	4,894	4,894
Interest	18	9,675	32,400
		12	30
TOTAL REVENUES	22,743	14,581	37,324
EXPENDITURES			
Highway and streets	18,128	14,230	32,358
EXCESS OF REVENUES OVER EXPENDITURES	4,615	351	4,966
OTHER FINANCING USES			
Transfer out	(668)	(662)	(1,330)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES	3,947	(311)	3,636
FUND BALANCE, MARCH 1	4,582	2,075	6,657
FUND BALANCE, FEBRUARY 29	\$ 8,529	\$ 1,764	\$ 10,293

VILLAGE OF DANSVILLE, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
MAJOR STREET FUND
FOR THE YEAR ENDED FEBRUARY 29, 2004

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES			
Gas and weight tax	\$ 22,000	\$ 22,725	\$ 725
Interest earned		18	18
	<u>22,000</u>	<u>22,743</u>	<u>743</u>
TOTAL REVENUES			
	<u>22,000</u>	<u>22,743</u>	<u>743</u>
EXPENDITURES			
Adminstration	9,928	3,885	6,043
Maintenance	7,200	9,098	(1,898)
Snow removal	5,700	4,571	1,129
Storm sewer	2,000	574	1,426
	<u>24,828</u>	<u>18,128</u>	<u>6,700</u>
TOTAL EXPENDITURES			
	<u>24,828</u>	<u>18,128</u>	<u>6,700</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,828)	4,615	7,443
OTHER FINANCING USES			
Transfer out		(668)	(668)
	<u></u>	<u>(668)</u>	<u>(668)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES	(2,828)	3,947	6,775
FUND BALANCE, MARCH 1	<u>4,582</u>	<u>4,582</u>	<u></u>
FUND BALANCE, FEBRUARY 29	\$ <u>1,754</u>	\$ <u>8,529</u>	\$ <u>6,775</u>

VILLAGE OF DANSVILLE, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
LOCAL STREET
FOR THE YEAR ENDED FEBRUARY 29, 2004

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES			
Property taxes	\$ 15,000	\$ 4,894	\$ (10,106)
Gas and weight tax	9,000	9,675	675
Interest earned		12	12
	<u>24,000</u>	<u>14,581</u>	<u>(9,419)</u>
TOTAL REVENUES			
EXPENDITURES			
Adminstration	10,831	4,702	6,129
Maintenance	6,000	7,097	(1,097)
Snow removal	3,000	2,431	569
Storm sewer	1,500		1,500
	<u>21,331</u>	<u>14,230</u>	<u>7,101</u>
TOTAL EXPENDITURES			
EXCESS OF REVENUES OVER EXPENDITURES	2,669	351	(2,318)
OTHER FINANCING USES			
Transfer out		(662)	(662)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER USES	2,669	(311)	(2,980)
FUND BALANCE, MARCH 1	<u>2,075</u>	<u>2,075</u>	
FUND BALANCE, FEBRUARY 29	<u>\$ 4,744</u>	<u>\$ 1,764</u>	<u>\$ (2,980)</u>

ENTERPRISE FUNDS

Enterprise Funds are used to account for the acquisition, operation and maintenance of governmental facilities and services which are entirely or predominately self-supporting by user charges. The significant characteristic of Enterprise Funds is that the accounting system must make it possible to show whether the activity is operated at a profit or loss, similar to comparable private enterprise. Thus, the reports of Enterprise Funds are self-contained and creditors, legislators or the general public can evaluate the performance of the municipal enterprise on the same basis as they can the performance of investor-owned enterprises in the same industry.

The Village operates its Sewer, Water, and Rental Equipment Funds as Enterprise Funds.

VILLAGE OF DANSVILLE, MICHIGAN

COMBINING BALANCE SHEET

ENTERPRISE FUNDS

FEBRUARY 29, 2004

	SEWER	WATER	EQUIPMENT RENTAL	TOTAL
ASSETS				
Current assets				
Cash	\$ <u>20,432</u>	\$ <u>11,616</u>	\$ <u>4,776</u>	\$ <u>36,824</u>
Fixed assets				
Sewer plant and mains	927,676	114,781		1,042,457
Equipment			85,803	85,803
Accumulated depreciation	<u>498,260</u>	<u>14,930</u>	<u>68,900</u>	<u>582,090</u>
Net fixed assets	<u>429,416</u>	<u>99,851</u>	<u>16,903</u>	<u>546,170</u>
Restricted assets				
Cash in bank - debt service	<u>56,307</u>			<u>56,307</u>
TOTAL ASSETS	\$ <u><u>506,155</u></u>	\$ <u><u>111,467</u></u>	\$ <u><u>21,679</u></u>	\$ <u><u>639,301</u></u>
LIABILITIES				
Current liabilities				
Contract payable - current	\$ <u>12,000</u>	\$ <u></u>	\$ <u>3,633</u>	\$ <u>15,633</u>
Other liabilities				
Contract payable	<u>36,000</u>			<u>36,000</u>
FUND BALANCE				
Contributed capital	378,776	99,851		478,627
Retained earnings	<u>79,379</u>	<u>11,616</u>	<u>18,046</u>	<u>109,041</u>
TOTAL FUND BALANCE	<u>458,155</u>	<u>111,467</u>	<u>18,046</u>	<u>587,668</u>
TOTAL LIABILITIES AND FUND BALANCE	\$ <u><u>506,155</u></u>	\$ <u><u>111,467</u></u>	\$ <u><u>21,679</u></u>	\$ <u><u>639,301</u></u>

VILLAGE OF DANSVILLE, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
ENTERPRISE FUNDS
FOR THE YEAR ENDED FEBRUARY 29, 2004

	SEWER	WATER	EQUIPMENT RENTAL	TOTAL
REVENUES				
Sewer and water billings	\$ 55,192	\$ 4,138	\$	\$ 59,330
Sewer and water installation	5,475	5,625		11,100
Equipment rental			30,000	30,000
Interest	3,316			3,316
	<u>63,983</u>	<u>9,763</u>	<u>30,000</u>	<u>103,746</u>
TOTAL REVENUES				
EXPENDITURES				
Salaries	11,414	1,961	6,406	19,781
Payroll taxes	2,513	386	980	3,879
Operating supplies	766	2,666	9,191	12,623
Contracted services	19,224	9,096	4,853	33,173
Utilities	9,408	487		9,895
Small equipment			589	589
Equipment rental	12,000			12,000
	<u>55,325</u>	<u>14,596</u>	<u>22,019</u>	<u>91,940</u>
TOTAL EXPENDITURES				
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>8,658</u>	<u>(4,833)</u>	<u>7,981</u>	<u>11,806</u>
OTHER FINANCING SOURCES (USES)				
Depreciation	(23,787)	(2,870)	(11,873)	(38,530)
Interest	(5,475)		(887)	(6,362)
Transfer in	17,475			17,475
Transfer out	(571)			(571)
	<u>(12,358)</u>	<u>(2,870)</u>	<u>(12,760)</u>	<u>(27,988)</u>
TOTAL OTHER FINANCING SOURCES (USES)				
DEFICIENCY OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)	<u>(3,700)</u>	<u>(7,703)</u>	<u>(4,779)</u>	<u>(16,182)</u>
FUND BALANCE, MARCH 1	<u>83,079</u>	<u>19,319</u>	<u>22,825</u>	<u>125,223</u>
FUND BALANCE, FEBRUARY 29	<u>\$ 79,379</u>	<u>\$ 11,616</u>	<u>\$ 18,046</u>	<u>\$ 109,041</u>

VILLAGE OF DANSVILLE, MICHIGAN
COMBINED STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED FEBRUARY 29, 2004

	SEWER	WATER	EQUIPMENT RENTAL	TOTAL
OPERATING ACTIVITIES				
Net loss	\$ (3,700)	\$ (7,703)	\$ (4,779)	\$ (16,182)
Adjustments to reconcile net loss to cash provided by operating activities				
Depreciation	<u>23,787</u>	<u>2,870</u>	<u>11,873</u>	<u>38,530</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>20,087</u>	<u>(4,833)</u>	<u>7,094</u>	<u>22,348</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Increase in debt service cash	<u>(3,255)</u>	<u></u>	<u></u>	<u>(3,255)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Payment for capital acquisitions			(2,938)	(2,938)
Principal payments	<u>(12,000)</u>	<u></u>	<u>(5,413)</u>	<u>(17,413)</u>
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(12,000)</u>	<u></u>	<u>(8,351)</u>	<u>(20,351)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,832	(4,833)	(1,257)	(1,258)
CASH AND CASH EQUIVALENTS, MARCH 1	<u>15,600</u>	<u>16,449</u>	<u>6,033</u>	<u>38,082</u>
CASH AND CASH EQUIVALENTS, FEBRUARY 29	<u>\$ 20,432</u>	<u>\$ 11,616</u>	<u>\$ 4,776</u>	<u>\$ 36,824</u>

FIDUCIARY FUNDS

Fiduciary Funds are established to administer resources received and held by a governmental unit as the trustee or as the agent for others. Use of these funds facilitates the discharge of responsibilities placed upon the governmental unit by virtue of law or other similar authority.

The Village's Fiduciary Fund is Cemetery Perpetual Care.

VILLAGE OF DANSVILLE, MICHIGAN
BALANCE SHEET
CEMETERY PERPETUAL CARE
FEBRUARY 29, 2004

ASSETS

Cash in bank

\$ 7,077

FUND BALANCE

\$ 7,077

VILLAGE OF DANSVILLE, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE
CEMETARY PERPETUAL CARE
FOR THE YEAR ENDED FEBRUARY 29, 2004

REVENUES	
Sale of lots	\$ 1,001
Interest	<u>203</u>
TOTAL REVENUES	<u>1,204</u>
OTHER FINANCING SOURCES (USES)	
Transfer out	<u>(10,174)</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES AND OTHER USES	(8,970)
FUND BALANCE, MARCH 1	<u>16,047</u>
FUND BALANCE, FEBURARY 29	<u><u>\$ 7,077</u></u>

VILLAGE OF DANSVILLE, MICHIGAN
COMBINED STATEMENT OF CASH FLOWS
CEMETARY PERPETUAL CARE
FOR THE YEAR ENDED FEBRUARY 29, 2004

CASH FLOWS FROM OPERATING ACTIVITIES	
Net loss	\$ <u>(8,970)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(8,970)
CASH AND CASH EQUIVALENTS, MARCH 1	<u>16,047</u>
CASH AND CASH EQUIVALENTS, FEBRUARY 29	\$ <u><u>7,077</u></u>



Layton & Richardson, P.C.

Certified Public Accountants

1000 Coolidge Road
East Lansing, MI 48823

(517) 332-1900
(517) 332-2082 fax
Info@LNRCPA.com

David Layton, CPA
Principal
DaveLayton@LNRCPA.com

Merrick A. Richardson, CPA
Principal
Rick@LNRCPA.com

Vickie L. Crouch, CPA, CCFM
Principal
Vickie@LNRCPA.com

Stephen D. Plumb, JD, CPA
Principal
Steve@LNRCPA.com

Marjorie L. Bucklin, CPA
Manager
Margie@LNRCPA.com

Brenda L. Seelman, CPA
Manager
Brenda@LNRCPA.com

Annette B. Layton
Office Manager
Ann@LNRCPA.com

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Village Council
Village of Dansville
Dansville, Michigan

We have audited the general-purpose financial statements of the Village of Dansville, Michigan as of and for the year ended February 29, 2004, and have issued our report thereon dated March 25, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village of Dansville, Michigan's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Village of Dansville, Michigan, in a separate letter dated March 25, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Dansville, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Village of Dansville, Michigan, in a separate letter dated March 25, 2004.

This report is intended solely for the information and use of management, others within the organization, the Supervisor and Village Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Layton & Richardson P.C.

Certified Public Accountants

East Lansing, Michigan
March 25, 2004



Layton & Richardson, P.C.

Certified Public Accountants

1000 Coolidge Road
East Lansing, MI 48823



(517) 332-1900
(517) 332-2082 fax
Info@LNRCPA.com

LETTER OF COMMENTS AND RECOMMENDATIONS

Village Council
Village of Dansville
Dansville, Michigan

David Layton, CPA
Principal
DaveLayton@LNRCPA.com

Merrick A. Richardson, CPA
Principal
Rick@LNRCPA.com

Vickie L. Crouch, CPA, CGFM
Principal
Vickie@LNRCPA.com

Stephen D. Plumb, JD, CPA
Principal
Steve@LNRCPA.com

Marjorie L. Bucklin, CPA
Manager
Margie@LNRCPA.com

Brenda L. Seelman, CPA
Manager
Brenda@LNRCPA.com

Annette B. Layton
Office Manager
Ann@LNRCPA.com

We have examined the general purpose financial statements of THE VILLAGE OF DANSVILLE, MICHIGAN for the year ended February 29, 2004, and have issued our report on those statements. As part of the audit process, we tested and evaluated the system of internal accounting control and the procedures used to record the financial transactions of the Village of Dansville Michigan. These tests and evaluations are important to the audit process because they serve as the basis for our opinion on the reliability and accuracy of the financial statements.

The management of The Village of Dansville, Michigan is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles. Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our tests of the internal control procedures included evaluations of randomly selected samples of transactions from payroll, cash disbursements and cash receipts. Although we did not observe any material errors or weaknesses in accounting or financial management, the following recommendations are intended to improve the efficiency and effectiveness of control procedures:

CURRENT YEAR RECOMMENDATIONS

We made the following recommendations concerning internal control weaknesses during our audit:

ALL FUNDS SHOULD BE COMPUTERIZED

We noted during our audit that the Village of Dansville is not set up on the computer. We recommend that the Village be set up on the computer. This will provide a better system of checks and balances and also possibly save time over the manual method of accounting for these funds.

CURRENT YEAR RECOMMENDATIONS - Concluded

CASH DISBURSEMENT PROCEDURES

During the audit, we noted that invoices are not formally approved before payment is made. We understand that the board examines each invoice before the checks are signed. However, we recommend that all invoices be approved with the supervisor or clerk's initials and date before payment is made. These procedures will ensure better controls over the cash disbursement procedures.

During the audit we noted that only one person is in control of all the receipting and disbursing duties. We recommend that another person receive the bank statements and review cancelled checks and deposits to ensure better controls over cash.

INVESTMENT POLICY

During the audit, we noted that the Village has not adopted an investment policy. We recommend that the Village adopt an investment policy to comply with state law.

We are grateful to the Village employees for their assistance and cooperation extended to us during the audit.

Very truly yours,

A handwritten signature in black ink that reads "Layton + Rubenstein PC". The signature is written in a cursive, flowing style.

Certified Public Accountants

East Lansing, Michigan
March 25, 2004